

VILLAGE OF STANWOOD
MECOSTA COUNTY, MICHIGAN
AUDIT REPORT
MARCH 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

| | | | |
|--|--|---------------------------|--------------------|
| Unit Name* VILLAGE OF STANWOOD | County* MECOSTA | Type* VILLAGE | MuniCode* 54-3-040 |
| Opinion Date-Use Calendar* Nov 4, 2008 | Audit Submitted-Use Calendar* Nov 13, 2008 | Fiscal Year End Month* 03 | Fiscal Year* 2008 |

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

| | |
|---------------------------------------|--|
| <input checked="" type="checkbox"/> ? | 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements? |
| <input checked="" type="checkbox"/> ? | 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets? |
| <input type="checkbox"/> ? | 3. Were the local unit's actual expenditures within the amounts authorized in the budget? |
| <input checked="" type="checkbox"/> ? | 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury? |
| <input checked="" type="checkbox"/> ? | 5. Did the local unit adopt a budget for all required funds? |
| <input checked="" type="checkbox"/> ? | 6. Was a public hearing on the budget held in accordance with State statute? |
| <input checked="" type="checkbox"/> ? | 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division? |
| <input checked="" type="checkbox"/> ? | 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act? |
| <input checked="" type="checkbox"/> ? | 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy? |
| <input checked="" type="checkbox"/> ? | 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.) |
| <input checked="" type="checkbox"/> ? | 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.) |
| <input type="checkbox"/> ? | 12. Is the local unit free of repeated reported deficiencies from previous years? |
| <input checked="" type="checkbox"/> ? | 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA |
| <input checked="" type="checkbox"/> ? | 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)? |
| <input checked="" type="checkbox"/> ? | 16. Has the board or council approved all disbursements prior to payment as required by charter or statute? |
| <input type="checkbox"/> ? | 17. To your knowledge, were the bank reconciliations that were reviewed performed timely? |
| <input type="checkbox"/> ? | 18. Are there reported deficiencies? 19. If so, was it attached to the audit report? |

| | |
|----------------------------|---|
| General Fund Revenue: | <input type="checkbox"/> ? \$ 51,103.00 |
| General Fund Expenditure: | <input type="checkbox"/> ? \$ 49,139.00 |
| Major Fund Deficit Amount: | \$ 0.00 |

| | |
|--|---|
| General Fund Balance: | <input type="checkbox"/> ? \$ 56,437.00 |
| Governmental Activities Long-Term Debt (see instructions): | <input type="checkbox"/> ? |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

| | | | | |
|---------------------------------------|---|--------------------------------------|-------------------|------------------------------|
| CPA (First Name)* TERRY | Last Name* KIRKPATRICK | Ten Digit License Number* 1101018035 | | |
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Independent Auditor's Report

To the Village Council of the
Village of Stanwood, Mecosta County, Michigan:


We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Stanwood, Mecosta County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise Village of Stanwood's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Village of Stanwood, Mecosta County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Stanwood, Mecosta County, Michigan, as of March 31, 2008, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Stanwood, Michigan's basic financial statements. The introductory section, combining and individual non-major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and pages 17-19, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

 **CPA, P.C.**

Big Rapids, Michigan
November 4, 2008

Village of Stanwood – Mecosta County, Michigan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Village of Stanwood, as a whole, and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's net assets decreased slightly during the year. In a condensed format, the table below shows the net assets as of the current date:

| | <u>2008</u> |
|--------------------------------------|-----------------------|
| Current Assets | \$ 73,640 |
| Non-current Assets | 46,024 |
| | <u>\$ 119,664</u> |
| Total Liabilities | \$ 0 |
| Net Assets | |
| Invested in Capital Assets | 46,024 |
| Unrestricted | 73,640 |
| Total net assets | <u>119,664</u> |
| Total liabilities and net assets | <u>\$ 119,664</u> |

The following table shows the changes of the net assets as of the current date:

| | <u>2008</u> |
|---------------------------|-----------------|
| General Revenues | |
| Property Taxes | \$ 27,195 |
| State Grants | 39,197 |
| Interest Earnings | 2,416 |
| Other Revenue | <u>1,079</u> |
| Total revenues | <u>69,887</u> |
| Program Expenses | |
| General Government | 14,678 |
| Public Safety | 634 |
| Public Works | 48,529 |
| Cultural and Recreational | 7,390 |
| Other Funtions | 6,438 |
| Depreciation | <u>1,650</u> |
| Total expenses | <u>79,319</u> |
| Change in Net Assets | <u>\$ 9,432</u> |

The Village's Funds

Our analysis of the Village's major funds begins on page 7, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds include the General Fund, Major Street Fund and the Local Street Fund.

The General Fund pays for all of the Village's governmental services, which are partially supported by an operating tax millage and State revenue sharing. The Major and Local Street Funds take care of the roads within the Village.

General Fund Budgetary Highlights

Village of Stanwood found it necessary to amend the General Fund budget during the year as various events occurred, but did not make such amendments.

Capital Asset and Debt Administration

At the end of the fiscal year, the Village had \$91,478 invested in a broad range of capital assets including buildings and equipment. In addition, the Village has invested significantly in roads within the Village. These assets are not reported in the Village's financial statements because of Michigan law, which makes these roads the property of the Mecosta County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Village budget for the next fiscal year will be similar to this past years' budget. State revenue sharing has shown declines in recent years and may be so again for the next year.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

BASIC FINANCIAL STATEMENTS

VILLAGE OF STANWOOD – Mecosta County, Michigan

Government Wide Statement of Net Assets

March 31, 2008

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | \$ 66,687 |
| Due from Proprietary Fund | 168 |
| Due from State of Michigan | 6,785 |
| Capital Assets - Net of Depreciation | 46,024 |
| Total assets | <u>\$ 119,664</u> |
| LIABILITIES | |
| Payroll Taxes Payable | \$ 0 |
| NET ASSETS | |
| Invested in Capital Assets- Net of Debt | 46,024 |
| Unrestricted | <u>73,640</u> |
| Total net assets | <u>\$ 119,664</u> |

The "Notes to Financial Statements" are an integral part of these statements.

| | Governmental Activities | | | |
|--------------------------------------|-------------------------|--|------------------------------------|-----------------------------------|
| | Expenses | Program Revenues Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Assets |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 14,678 | \$ 0 | \$ 0 | \$(14,678) |
| Public Safety | 634 | 0 | 0 | (634) |
| Public Works | 48,529 | 0 | 0 | (48,529) |
| Cultural and Recreation | 7,390 | 0 | 0 | (7,390) |
| Other Functions | 6,438 | 0 | 0 | (6,438) |
| Depreciation (unallocated) | 1,650 | 0 | 0 | (1,650) |
| Total governmental activities | \$ 79,319 | \$ 0 | \$ 0 | \$(79,319) |
| General Revenues | | | | |
| Property Tax | | | | 27,195 |
| State Shared Revenue | | | | 39,197 |
| Interest and Dividends | | | | 2,416 |
| Other Revenue | | | | 1,079 |
| Total general revenues | | | | 69,887 |
| Change in Net Assets | | | | (9,432) |
| Net assets - April 1, 2007 | | | | 129,096 |
| Net assets - March 31, 2008 | | | | \$ 119,664 |

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

VILLAGE OF STANWOOD – Mecosta County, Michigan
 Governmental Fund Balance Sheet
 March 31, 2008

| | General Fund | Major Street Fund | Local Street Fund | Total Governmental Funds |
|---|-----------------|-------------------------|----------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 52,960 | \$ 12,303 | \$ 1,424 | \$ 66,687 |
| Due from Other Funds | 819 | 0 | 0 | 819 |
| Due from State of Michigan | 2,658 | 2,780 | 1,347 | 6,785 |
| Total assets | \$ 56,437 | \$ 15,083 | \$ 2,771 | \$ 74,291 |
| LIABILITIES AND FUND EQUITY | | | | |
| Due to Other Funds | 0 | 363 | 288 | 651 |
| Fund Balance - Unreserved and Undesignated | 56,437 | 14,720 | 2,483 | 73,640 |
| Total liabilities and fund equity | \$ 56,437 | \$ 15,083 | \$ 2,771 | \$ 74,291 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | | | | |
| Total Governmental Fund Balances | | | \$ | 73,640 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | |
| Cost of capital assets, net of depreciation | | | | 46,024 |
| Net assets of governmental activities | | | \$ | 119,664 |

The "Notes to Financial Statements" are an integral part of these statements.

VILLAGE OF STANWOOD – Mecosta County, Michigan
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2008

| | General Fund | Major Street Fund | Local Street Fund | Total Governmental Funds |
|--|-----------------|----------------------|----------------------|--------------------------------|
| REVENUES | | | | |
| Property Tax | \$ 27,195 | \$ 0 | \$ 0 | \$ 27,195 |
| State Grants | 20,413 | 12,662 | 6,122 | 39,197 |
| Interest and Dividends | 2,416 | 0 | 0 | 2,416 |
| Other Revenue | 1,079 | 0 | 0 | 1,079 |
| Total revenues | 51,103 | 12,662 | 6,122 | 69,887 |
| EXPENDITURES | | | | |
| General Government | 14,678 | 0 | 0 | 14,678 |
| Public Safety | 634 | 0 | 0 | 634 |
| Public Works | 19,999 | 11,050 | 17,480 | 48,529 |
| Culture and Recreation | 7,390 | 0 | 0 | 7,390 |
| Other Functions | 6,438 | 0 | 0 | 6,438 |
| Total expenditures | 49,139 | 11,050 | 17,480 | 77,669 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,964 | 1,612 | (11,358) | (7,782) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 0 | 0 | 10,000 | 10,000 |
| Transfers Out | (10,000) | 0 | 0 | (10,000) |
| Total other financing sources (uses) | (10,000) | 0 | 10,000 | 0 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (8,036) | 1,612 | (1,358) | (7,782) |
| Fund Balance - April 1, 2007 | 64,473 | 13,108 | 3,841 | 81,422 |
| Fund Balance - March 31, 2008 | \$ 56,437 | \$ 14,720 | \$ 2,483 | \$ 73,640 |

The "Notes to Financial Statements" are an integral part of these statements.

VILLAGE OF STANWOOD – Mecosta County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

| | |
|--|-------------------|
| Net Change in Fund Balances - Total Government Funds | \$ (7,782) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Depreciation expense | <u>(1,650)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (9,432)</u> |

The "Notes to Financial Statements" are an integral part of these statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

VILLAGE OF STANWOOD – Mecosta County, Michigan**Proprietary Fund Statement of Net Assets****March 31, 2008**

| | <u>Internal Service Fund</u> |
|--|--------------------------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 2,778 |
| Non-current Assets | |
| Capital assets (Net of depreciation) | 39,825 |
| Total assets | <u>\$ 42,603</u> |
| Liabilities | |
| Due to General Fund | \$ 168 |
| NET ASSETS | |
| Invested in Capital Assets - Net of Debt | 39,825 |
| Unrestricted | 2,610 |
| Total net assets | <u>\$ 42,603</u> |

The "Notes to Financial Statements" are an integral part of these statements.

VILLAGE OF STANWOOD – Mecosta County, Michigan
Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended March 31, 2008

| | Internal Service Fund |
|-----------------------------------|-----------------------------|
| Operating Revenues | |
| Equipment rental | \$ 5,729 |
| Total operating revenues | |
| Operating Expenses | |
| Salaries and wages | 2,199 |
| Operating supplies | 2,055 |
| Repair and maintenance | 978 |
| Miscellaneous expenses | 168 |
| Total operating expenses | <u>5,400</u> |
| Operating Income (Loss) | 329 |
| Non-Operating Revenues (Expenses) | |
| Interest Revenue | <u>4</u> |
| Change in Net Assets | 333 |
| Total Net Assets- April 1, 2007 | <u>42,102</u> |
| Total Net Assets- March 31, 2008 | <u><u>\$ 42,435</u></u> |

The "Notes to Financial Statements" are an integral part of these statements.

VILLAGE OF STANWOOD – Mecosta County, Michigan
Proprietary Fund Statement of Cash Flows
For the Year Ended March 31, 2008

| | Internal Service Fund |
|--|-----------------------------|
| | <u> </u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Internal Activity- Receipts from Other Funds | \$ 5,729 |
| Salaries and Wages Paid | (2,199) |
| Payments to Suppliers | <u>(3,201)</u> |
| Net cash provided (used) by operating activities | 329 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and Dividends | <u>4</u> |
| Net increase (decrease) in cash and cash equivalents | 333 |
| Balances- April 1, 2007 | <u>2,445</u> |
| Balances- March 31, 2008 | <u><u>\$ 2,778</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | <u><u>\$ 333</u></u> |

The "Notes to Financial Statements" are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Stanwood conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Stanwood:

Reporting Entity

The Village is governed by an elected, five-member, Council. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Village does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Village of Stanwood's property tax is levied on each December 1st on the taxable valuation of property located within Village of Stanwood as of the preceding December 31st.

VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2008

Although the Village of Stanwood 2007 ad valorem tax is levied and collectible on July 1, 2007, it is Village of Stanwood's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2007 taxable valuation of Village of Stanwood totaled approximately \$3,029,000, on which ad valorem taxes levied consisted of .8977 mills for the Village operating purposes. These amounts are recognized in the respective General Fund financial statements as delinquent personal tax and/or as a tax revenue.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted-for in another fund.

The Major and Local Street Funds account for activities of the street improvements.

Additionally, the Village reports the following non-major fund types:

The Village reports a Revolving Equipment Fund. This fund accounts for equipment rental to various Village funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and are considered delinquent on October 1st, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| | |
|-----------|---------------------|
| Buildings | 40 years |
| Vehicles | 3 years to 10 years |
| Equipment | 5 years to 10 years |

VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2008

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Village have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a Village to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village has designated two banks for the deposit of Village funds. The investment policy adopted by the Village Council in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> |
|---------------------------|--------------------------------|
| Cash and cash equivalents | \$ 69,465 |

The bank balance of the primary government's deposits is \$71,780, of which \$71,780 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> |
|----------------------------|----------------|---------------------|---------------------|
| Due from State of Michigan | \$ 2,658 | \$ 2,780 | \$ 1,347 |

VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2008

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

| | 4/1/07 Beginning Balance | Increases | Decreases | 3/31/08 Ending Balance |
|---|--------------------------------|------------|-----------|------------------------------|
| Assets not being depreciated | | | | |
| Land Improvements | \$ 25,196 | \$ 0 | \$ 0 | \$ 25,196 |
| Capital assets being depreciated | | | | |
| Buildings and Sidewalks | 66,282 | 0 | 0 | 66,282 |
| Less Accumulated depreciation for Capital assets | (43,804) | (1,650) | 0 | (45,454) |
| Net capital assets | \$ 47,674 | \$ (1,650) | \$ 0 | \$ 46,024 |

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

NOTE F – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Village has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF STANWOOD – Mecosta County, Michigan

Budgetary Comparison Schedule

General Fund

For the Year Ended March 31, 2008

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | Variance with Final Budget Favorable (Unfavorable) |
|---|----------------------------|---------------------------|---------------|---|
| BEGINNING OF YEAR FUND BALANCE | \$ 64,473 | \$ 64,473 | \$ 64,473 | \$ 0 |
| Resources (inflows) | | | | |
| Property Taxes | 25,000 | 25,000 | 27,195 | 2,195 |
| State Grants | 22,320 | 22,320 | 20,413 | (1,907) |
| Interest and Dividends | 0 | 0 | 2,416 | 2,416 |
| Other Revenue | 0 | 0 | 1,079 | 1,079 |
| Amounts Available for Appropriation | 111,793 | 111,793 | 115,576 | 3,783 |
| Charges to Appropriations (Outflows) | | | | |
| General Government | | | | |
| Village Council | 15,000 | 15,000 | 6,851 | 8,149 |
| President | 1,135 | 1,135 | 1,520 | (385) |
| Clerk | 3,275 | 3,275 | 3,855 | (580) |
| Treasurer | 1,835 | 1,835 | 2,452 | (617) |
| Public Safety | | | | |
| Liquor Law Enforcement | 630 | 630 | 634 | (4) |
| Public Works | | | | |
| Public Works | 20,200 | 20,200 | 16,778 | 3,422 |
| Street lighting | 3,100 | 3,100 | 3,221 | (121) |
| Culture and Recreation | | | | |
| Parks | 12,000 | 12,000 | 7,390 | 4,610 |
| Other Functions | | | | |
| Insurance and Bonds | 5,600 | 5,600 | 5,134 | 466 |
| Social security/ medicare tax | 2,300 | 2,300 | 1,304 | 996 |
| Transfer to Local Street Fund | 4,500 | 4,500 | 10,000 | (5,500) |
| Total Charges to Appropriations | 69,575 | 69,575 | 59,139 | 10,436 |
| Budgetary Fund Balance - March 31, 2008 | \$ 42,218 | \$ 42,218 | \$ 56,437 | \$ 14,219 |

VILLAGE OF STANWOOD – Mecosta County, Michigan

Budgetary Comparison Schedule

Major Street Fund

For the Year Ended March 31, 2008

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|---|----------------------------|---------------------------|------------------|---|
| BEGINNING OF YEAR FUND BALANCE | \$ 13,108 | \$ 13,108 | \$ 13,108 | \$ 0 |
| Resources (inflows) | | | | |
| State Grants | 13,500 | 13,500 | 12,662 | (838) |
| Amounts Available for Appropriation | 26,608 | 26,608 | 25,770 | (838) |
| Charges to Appropriations (outflows) | | | | |
| Public Works | | | | |
| Highways, Streets, and Bridges | 17,485 | 17,485 | 11,050 | 6,435 |
| Transfer to Local Street Fund | 2,500 | 2,500 | 0 | 2,500 |
| BUDGETARY FUND BALANCE - March 31, 2008 | <u>\$ 6,623</u> | <u>\$ 6,623</u> | <u>\$ 14,720</u> | <u>\$ 8,097</u> |

VILLAGE OF STANWOOD – Mecosta County, Michigan

Budgetary Comparison Schedule

Local Street Fund

For the Year Ended March 31, 2008

| | Original Budget | Amended Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|-----------------|---|
| BEGINNING OF YEAR FUND BALANCE | \$ 3,841 | \$ 3,841 | \$ 3,841 | \$ 0 |
| Resources (inflows) | | | | |
| State Grants | 6,800 | 6,800 | 6,122 | (678) |
| Transfe from General Fund | 4,500 | 4,500 | 10,000 | 5,500 |
| Transfer from Major Street Fund | 2,500 | 2,500 | 0 | (2,500) |
| Amounts Available for Appropriation | 17,641 | 17,641 | 19,963 | 2,322 |
| Charges to Appropriations (outflows) | | | | |
| Public Works | | | | |
| Highways, Streets, & Bridges | 17,033 | 17,033 | 17,480 | (447) |
| BUDGETARY FUND BALANCE - March 31, 2008 | \$ 608 | \$ 608 | \$ 2,483 | \$ 1,875 |

Terry Kirkpatrick, CPA, P.C.

Certified Public Accountant

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November 4, 2008

Members of Village of Stanwood Council
Mecosta County, Michigan

I have recently completed my audit of the basic financial statements of Village of Stanwood for its year ended March 31, 2008. During this audit, I had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of my auditing procedures, there are some comments and/or recommendations I would like to present.

STREET FUNDS NEED OWN BANK ACCOUNT

The Major and Local Street Funds should be separated from the General Fund bank account. Major and Local Street monies may be in one bank account together, but should not be included with other funds in the same account. These two funds may have their own bank account or may be included together in one bank account.

This comment and recommendation was also presented in prior audits

BANK STATEMENTS

The Treasurer evidently was not able to locate any cancelled checks or bank statements for the Village checking account, as only photocopies of the statements and cancelled checks were presented for the audit. It is expected that the Treasurer will maintain original bank records.

This comment and recommendation was also presented in prior audits.

The Village Clerk should also receive a copy of the monthly bank statements and a photocopy of the cancelled checks. This copy for the Clerk should be received from the Treasurer shortly after receipt from the bank or, better yet, the Village Council should request the Bank to mail a copy to the Clerk as well as to the Treasurer.

CERTIFICATES OF DEPOSIT

The Village of Stanwood owns certificates of deposit worth more than \$ 48,000 which should be on the Clerk's general ledger balance for the general fund. Whenever the bank notifies the Treasurer that additional interest has been credited to the certificates, a receipt should be prepared so the Clerk may record the transaction and keep up to date with the balances.

BUDGET AMENDMENTS

Looking at page # 17 (general fund) and page # 19 (local street fund) in the audit report for the budgetary comparison schedules you will see several numbers shown in brackets in the fourth column. These brackets indicate that the expenditures for that particular activity exceeded the amount budgeted. The law requires that before the governmental unit incurs an expenditure that will exceed the budgeted amount for that activity, it must amend the budget to cover the expense. For that reason, it is important for the Village Council to closely monitor the expenditures of the Village and the adopted budget.

This comment and recommendation was also presented in prior audits.

OTHER MATTERS

I want to thank your personnel for the courtesy and cooperation shown me by them during the audit process.

I have mailed two copies of the audit report and this letter to the Michigan Department of Treasury.

You have been given the completed copy of the Form F-65, which the Clerk must sign and mail to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact me.

Terry Kubitz CPA, P.C.